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The President, his credibility marred, faces a stormy future

In troubled waters

■ Had he just admitted his mistake, Ronald Reagan might still have retrieved the situation. Instead, in the most critical public appearance of his Presidency, Reagan insisted that his decision to send secret shipments of arms to Iran was the "right" thing to do. "I don't see that it has been a fiasco or a great failure of any kind," he said.

At other moments of crisis in his six years in the White House, Reagan's impressive persuasive powers have kept him out of trouble. This time, however, the President may have been kidding even himself. When he walked away from the bright press-conference lights last week, there was dejection in his step, and his shoulders seemed to slump with fatigue. "Will you come back soon?" a reporter called after him. But the President turned away and there was no reply.

When the full account of the Iran affair is written, it will surely be assessed as an enormous blunder—even Reagan's emissary to Iran, former National Security Adviser Robert McFarlane, now calls it a "mistake." Yet it wasn't disastrous for the obvious reasons, the fractured decision-making process and the swapping of arms for hostages. What history is most likely to remember in its judgment is the President's awful loss of credibility at the very time he required it most. An ABC News poll last week showed that 61 percent of the American people simply didn't believe what the Great Communicator was trying to tell them in his press conference, and his overall approval rating dipped from 67 percent to 57 percent—the biggest drop since the 1981-82 recession.

Diminished expectations

Coming on the heels of the confused summit in Reykjavik and the Democrats' stunning November election successes, which gave them a 55-45 margin in the Senate, Iran could prove a watershed of the Reagan Presidency. Faced with a newly hostile Senate, Reagan might have found ways to exploit his still-healthy popularity, enabling him to pursue a limited agenda of foreign and domestic initiatives in his last two years. Now, however, Reagan's power is slipping away so rapidly that veteran observers wonder whether his Presidency could wind up as crippled as those of some recent predecessors.



'Oh, no, no, no'

—CIA Director William Casey on Capitol Hill, denying that secret arms shipments to Iran violated congressional-oversight laws

The issue has rapidly spread far beyond Iran to not only the credibility of the President but the competence and cohesion of his administration. In the wake of his press conference, his advisers failed to come up with even a modest strategy to cut their losses, saying that passage of time was now the best way to heal wounds. But as they waited, they fell out among themselves in one of the nastiest and most public disputes in recent years. Everyone seemed to be blaming everyone else and suggesting that the other fellow resign.

Secretary of State George Shultz and McFarlane, who approved the first Iran contacts, disagreed publicly about the extent of Shultz's knowledge. NSC aides, loyal to their boss, Vice Adm. John Poindexter, who directed the Iran affair, are pushing for Shultz's ouster (see page 14). But sources say Poindexter is far more likely to go first;

Shultz has the President's public backing, and White House Chief of Staff Donald Regan has his own problems. He says he serves only to do Reagan's bidding. But congressional critics contend he is either unwilling or unable to restrain Reagan. Says one: "They're like Johnny Carson and Ed McMahon."

The gathering recriminations at home mirror a different kind of blame game involving other countries. During last week's press conference, aides watching on television in the White House Blue Room were appalled when Reagan denied that a third country, Israel, was involved in the secret arms shipments. About 20 minutes after the press conference ended, a hasty correction was rushed to waiting reporters, and Reagan's newfound credibility gap yawned a little bit wider. Israel, it turns out, was not alone. Intelligence sources told *U.S. News* that the U.S. "winked" at shipments to Iran from France and Portugal and "knew" of still other shipments from West Germany, Britain, Austria and Switzerland. The Portuguese connection is intriguing. A known transshipment point for arms of all kinds, Portugal has been the source of arms for the *contras*

and the Iranians. The *Middle East Policy Survey*, a respected publication, reported this week that NSC staffer Lt. Col. Oliver North was in Portugal arranging arms purchases for the *contras* when he first learned from Israeli arms merchants of the possibility of making contact with Iran. Whether or not any Western European shipments had official government backing, House Majority Leader Jim Wright said, some shipments clearly were made with the "condoning" and the "complicity" of the U.S. Asked after a briefing on Iran last week whether the shipments were made at the behest of the U.S., Wright said: "I got that impression."

As the Iran affair continues to unravel, Reagan's refusal to make a clean breast of it seems to have cast him in the unflattering posture of a dissembler. Though Reagan insisted, for instance, that the U.S. shipped only a "minuscule"

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amount of arms that could have fit "in a single cargo plane." Wright publicly stated that 2,008 antitank missiles went to Iran—less than half of which could have fit on a single cargo plane.

By stripping Reagan of his most valued asset, his credibility, the unseemly Iran affair has suddenly taken the political agenda out of Ronald Reagan's hands. Now, for the first time since he arrived in Washington, he could no longer dominate the political stage, and he seems somehow an oddly diminished figure. "He was larger than life," sighs a dedicated Reagan supporter on Capitol Hill. "Right now, it's the President against the world."

Reagan's closest advisers share that view. But they also cling to the hope that the Reagan magic can somehow pull them through, as it has so many times before. In past instances—the bombing of the Marine barracks in Beirut, the secret mining of harbors in Nicaragua, Reagan's controversial visit to the Bitburg cemetery that held Nazi graves—Reagan's unchallenged integrity and personal popularity carried the day. But Iran is different. "People trust the President," says a key aide. "But they also understand the Iranians. And they don't like dealing with those folks."

Still, if Reagan had just addressed the issue forthrightly, even his supporters say, the controversy might have soon faded and the President could have survived with slight damage. The truth of the matter may well be, as the shaky press conference illustrated, that Reagan doesn't believe in his case. Whatever the reason, when he began denying the links between arms shipments and the release of hostages, and then continued putting up smoke screens around other aspects of the operation, Reagan put his personal integrity at risk. It was a gamble. And the President came up a loser. To conservative GOP Congressman Henry Hyde of Illinois, it looked like "the single most hurtful thing of his administration."

Even if Reagan can shore up his support at home, it's unlikely he'll be able to do much abroad, where the credibility crisis also runs deeply. "We in Japan cannot wipe out the feeling of having been betrayed," said Tokyo's *Asahi Shimbun* newspaper in a reaction typical of many around the globe. And although the President seems to be supporting Shultz for now, few would be surprised if the Secretary of State were to resign in

the next few months—creating a virtual leadership vacuum in foreign policy and sending yet another shock echoing through diplomatic corridors abroad.

The heaviest fallout nevertheless has been on Capitol Hill, where Reagan's discomfiture is most keenly sensed. Oddly enough, there has been little public gloating over Reagan's quandary by the Democrats, who are chary of comparisons between Reagan and Jimmy Carter on the hostage issue. "We'd only lose on that," says a strategist, acknowledging how difficult it is, even now, to take on Reagan personally.

Yet for all their lofty public reaction, the Democrats have moved rapidly to exploit the situation politically. First they summoned William Casey, director of the Central Intelligence Agency, to account for the secret weapons shipments. Then Senate Intelligence Committee Chairman Patrick Leahy (D-Vt.)

and David Durenberger (R-Minn.) sent a letter to Reagan saying they were "deeply disturbed" by the administration's conduct and demanding a fuller accounting of the Iran episode, calling it "amateurish." The increased pressure insures that the flap over Iran won't die down anytime soon. Indeed, the Democrats want Reagan to convene a panel of foreign-policy "wise men" to compensate for the brain drain in the White House. The reason, Democrats said, is that foreign policy is in shambles. Griped one: "Between Iran and Reykjavik, there is a feeling here of unease, that [the administration] doesn't have its act together."

The bristly new relationship between Capitol Hill and the White House is startling, but more troubling is Reagan's new relationship with the American people. In the past six years, he has taken his case directly to them time and again. And by dint of charm, skill and a strong belief in the rightness of his cause, Reagan has won one victory after another. The record is emblematic of a deeper bond—a sense of personal trust, almost—between the President and the public. If that bond has been ruptured, it may be tough to mend. Adds GOP Representative Hyde: "It's hard for us Reaganauts to be out there waving the flag."

Predictably, Democrats, who have seen the knife of public opinion cut

against them for the past six years, are wasting no time in employing it for their own use. They are already pushing for stricter requirements on White House reporting of covert operations. The law requires congressional oversight of the CIA and all other agencies except the NSC, which is considered a part of the White House. It was the NSC staff under Poindexter that directed the secret contacts with Iran. Reagan insists he acted

within the law when he failed to inform Congress of the Iran operation for 11 months, saying it was a permissible exception. "We need the President to say there aren't going to be any more exceptions," says Durenberger. Others go further, saying the law was violated and insisting the oversight laws be rewritten. And still others want to put the NSC staff under congressional scrutiny, an initiative Reagan would surely veto. But



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even Reagan supporters concede he erred in saying nothing to Congress.

The oversight issue is pale tea compared with other problems. After Reykjavik, the Libya disinformation campaign and a series of poorly planned policies going back to the deployment of Marines in Beirut in 1983, America's allies in Europe are distrustful (see page 16). They worry over the possible departure of Shultz, whom they trust. Never mind that some of them are implicated in under-the-table arms deals with Iran. Even the Soviets are perturbed. "What if there had been agreement at Reykjavik?" says a Soviet foreign-affairs expert in Moscow. "Would Reagan today, suffering from the election and his foreign-policy mistakes, be able to win approval of that agreement?" Though arms talks resume in Geneva next month, the Soviets may decide to wait and deal with a new President.

Elsewhere, especially in Central America, Reagan has other troubles—and Iran has only compounded his difficulties. "After Iran, I don't think [the Democrats will] give another cent to the *contras*," says former NSC staffer

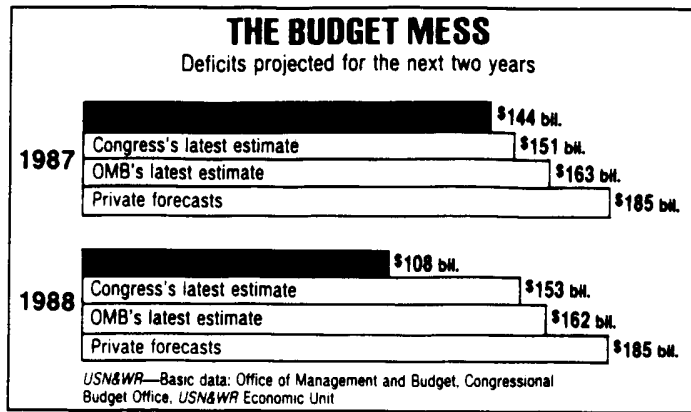
Norman Bailey. "As for military involvement, that's now totally out of the question." Even if he now came clean on Iran, it is doubtful Reagan can avoid the limbo of lame duckery.

His advisers, with more hope than

port for all three in Congress, but Reagan's programs are sketchy, and the Democrats will be reluctant to follow his lead. The budget is a case in point. Reagan aides forecast a deficit of \$162 billion, but private economists say it may exceed \$185 billion.

"The administration's idea of a capital budget is the blue smoke of Ronald Reagan—cut the deficit in half by accounting gimmicks," says House Budget Committee Chairman Bill Gray (D-Pa.). "Congress won't accept it."

And so, confronting a host of newly eager enemies, apparently close to losing some of his most devoted administration aides, and with damage to his credibility and reputation for consistency, Ronald Reagan faces an uncertain future. No doubt the Gipper has overcome tough odds before. But this time the clock is running out on his Presidency. And the odds this time seem longer than ever. ■



faith, disagree. But even in the more tranquil domestic arena the picture for Reagan looks pretty grim. High on the Democrats' agenda are comprehensive trade legislation, overhaul of the farm program and AIDS legislation—all sure to infuriate the White House. For his part, Reagan has indicated he plans to address budget and welfare reform, and to tackle catastrophic health coverage for medicare patients. There is sup-

by Brian Duffy with Dennis Mullin, Kenneth T. Walsh, Gloria Berger, Andy Plattner and Steven Emerson in Washington; Douglas Stanglin and Victoria Pope in Bonn and Richard Z. Chesnoff in Paris